

MONTHLY REVENUE REPORT

August 2004

The revenue generated from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.69 billion in August. Adjusting for the change in the due date of the State education property tax and the recent increase in the tobacco taxes, tax collections were up 12.7% in August. This increase more than offset the declines in tax collections experienced during June and July, and marks the fifth time in the past seven months that tax collections have topped the previous year's level. While factors that affect the timing of monthly collections helped boost income and sales tax collections in August, the increase in August was well distributed, as only one of the major taxes posted a decrease in revenue from last year's level. So far in FY 2003-04, the revenue from these major taxes, excluding the State education property and tobacco taxes, is up 1.8% from the year-ago level. Based on the Senate Fiscal Agency's estimates of monthly tax collections, the large increase posted in August was expected and tax collections to date appear to be on target with the FY 2003-04 consensus estimates.

Net income tax revenue (gross collections less refunds) totaled \$511 million, which was up 2.4% from last year's level. Gross income tax collections (withholding, quarterly, and annual payments) were up 4.0%. Withholding payments were up 3.3%, even though the tax rate is now 3.9% compared with 4.0% last year at this time. Some of this gain in gross income tax collection, however, was offset by a 31.9% increase in refund payments. On a fiscal year-to-date basis, net income tax revenue is up 2.4%.

Sales tax revenue totaled \$607 million in August, representing a 20.3% increase from the year-ago level. This large upward swing in sales tax collections was due in part to the "weekend" factor. When a month ends on a weekend, some sales tax collections that otherwise would occur in that month spill over into the next month. This "weekend" factor helped boost the increase in August sales tax collections from last year's level in two ways: 1) July 2004 ended on a weekend, which helped boost August 2004 collections, and 2) August 2003 ended on a weekend, which reduced August 2003 collections. High gasoline prices were also a likely factor contributing to the strong increase in sales tax collections in August. The increase in sales tax collections in August would have been even greater had it not been for a 20.9% reduction in sales tax collections from motor vehicle sales. On a fiscal year-to-date basis, sales tax collections are up 1.2%.

Single business tax collections totaled \$156 million in August, which was up 20.7% from last year's level. This strong increase in August more than offset the 10.1% decline experienced in July; however, so far this fiscal year, single business tax collections are still down 3.4%.

Tobacco tax revenue totaled \$97.9 million in August, which was up 18.4% from the year-ago level; however, all of this increase can be attributed to the recent increase in the tobacco tax rates. On July 1, 2004, the cigarette tax rate increased from \$1.25 per pack to \$2.00 per pack and the tax on other tobacco products increased from 20% of the wholesales price to 32%. An additional \$28.2 million has been collected to date from the so-called "inventory tax", which imposed the increased tobacco tax rates on the tobacco products held in inventory by retailers on July 1, 2004.

Among some of the other major taxes, use tax collections were up 20.3% in August, insurance tax revenue increased 16.7%, casino wagering tax receipts were up 10.5%, and oil and gas severance tax revenue was up 34.9%. Estate tax collections were unchanged from last year, and real estate transfer tax collections were down 10.0%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for August 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2003-04, which were adopted at the May 2004 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE
AUGUST 2004
(dollars in millions)

Type of Revenue	August Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	\$ 548.1	4.0%	\$ 6,263.2	1.7%	\$ 7,502.5	1.9%
Refunds	(37.2)	31.9	(1,477.4)	(0.4)	(1,640.9)	5.8
Net Income Tax	\$ 510.9	2.4%	\$ 4,785.8	2.4%	\$ 5,861.6	0.9%
Sales Tax	607.3	20.3	5,344.1	1.2	6,500.7	1.2
Motor Vehicles	84.9	(20.9)	748.7	(13.6)	---	---
All Other Sales Tax	522.4	31.5	4,595.4	4.2	---	---
Use Tax	121.0	20.3	1,091.9	7.4	1,282.5	4.3
Tobacco Taxes	97.9	18.4	750.6	1.8	876.8	(1.6)
Single Business Tax	155.5	20.7	1,488.9	(3.4)	1,823.7	(1.0)
Insurance Tax	29.3	16.7	203.5	(0.1)	247.0	6.9
State Education Property Tax	123.6	3.8	454.5	(57.6)	1,745.2	(18.0)
Real Estate Transfer Tax	26.2	(10.0)	259.7	21.5	297.7	8.1
Estate/Inheritance Tax	5.6	0.0	71.2	(15.7)	65.0	(34.1)
Casino Wagering Tax	8.5	10.4	80.8	6.3	98.5	8.4
Oil & Gas Severance Tax	5.8	34.9	40.4	(7.8)	56.0	16.9
Total	\$1,691.6	12.3%	\$14,571.4	(2.5)%	\$18,854.7	(1.1)%
Adjusted for Collection & Rate Changes ⁵⁾	\$1,470.1	12.7%	\$13,366.3	1.8%	\$16,232.7	1.1%
Addendum:						
Gross Lottery Sales ⁴⁾	\$145.7	(4.2)%	\$1,809.6	17.2%	\$1,865.9	10.9%
Net to School Aid Fund ⁴⁾	\$ 46.8	3.1%	\$ 591.2	10.4%	\$ 637.0	8.7%

1) Total collections are unadjusted cash collections unless otherwise noted.

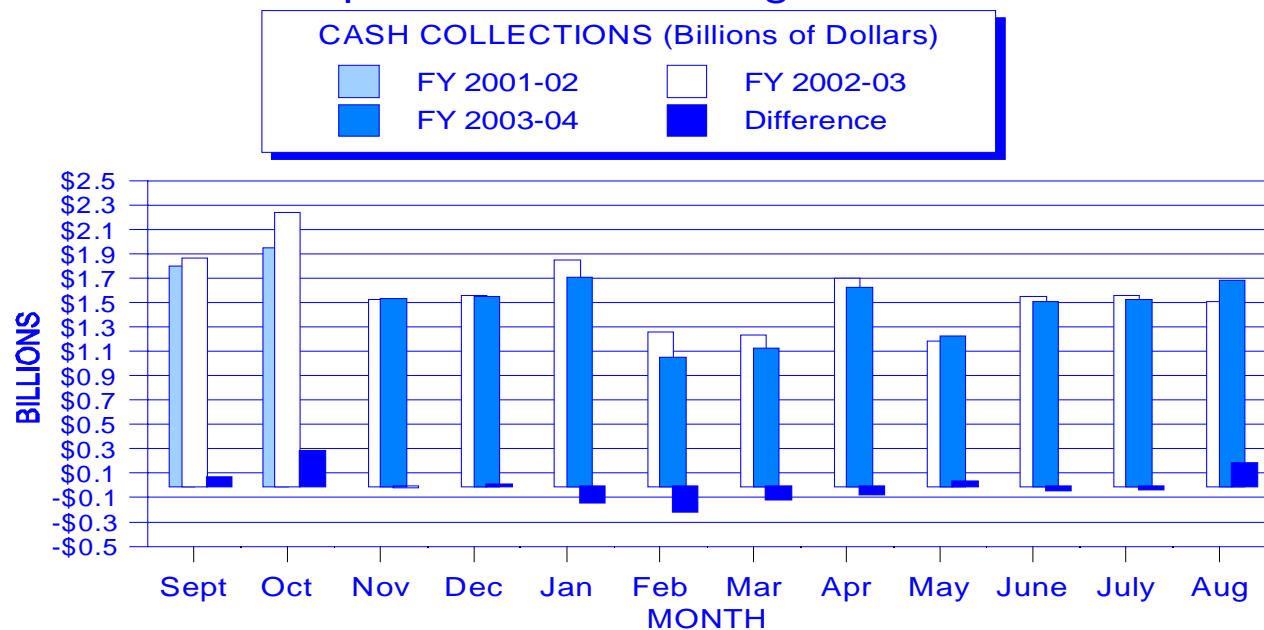
2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.

3) Revenue estimates adopted at the May 18, 2004, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

5) Excludes State education property tax due to new collection pattern and tobacco taxes due to recent rate increases.

Actual Revenue Collections for Major State Taxes*
September 2002 to August 2004



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.